

Congress of the United States
House of Representatives
Washington, DC 20515-5401

March 26, 2014

275

Hon. Thomas Wheeler
Chairman
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

*Re: Connect America Fund Phase I and Phase II Funding in
WC Dockets 10-90 and 05-337, FCC DA 13-2304 (rel. Dec. 2, 2013)*

Dear Mr. Chairman:

I write in my capacity as Puerto Rico's representative in the U.S. Congress. As you know, Puerto Rico continues to lag far behind the rest of the United States in both broadband and telephone subscribership and deployment. The Federal Communications Commission's broadband progress reports consistently observe that, of all U.S. states and territories, Puerto Rico has the largest number of residents that are unserved by fixed broadband. In its 8th Broadband Progress Report, the FCC noted that more than half of Puerto Rico's residents—54 percent of the population or 1.9 million people—lack access to fixed broadband at speeds widely available throughout the rest of the United States. This is nine times the national average of 6 percent. This glaring disparity must be addressed. Closing this gap is critical to Puerto Rico's economic future and the ability of its residents to access the many educational, social, political and health-related benefits of broadband that the rest of the United States enjoys.

I understand that the FCC is currently considering how to distribute \$9 billion in broadband support over a five-year period as part of Phase II of the Connect America Fund (CAF). In its 2011 *USF Transformation Order*, the FCC spoke directly about Puerto Rico when it recognized the unique challenges of serving the non-contiguous areas. The FCC specifically directed its Wireline Competition Bureau to "reflect the unique circumstances and operating conditions in the non-contiguous areas of the United States" in any model it adopts to distribute CAF Phase II funding. The FCC further stated that, if the Wireline Bureau is unable to follow this directive for whatever reason, the Bureau must maintain existing universal service support for the price cap carriers in such non-contiguous or insular areas.

At present, price cap carriers in Puerto Rico receive \$36 million annually in existing universal service support. However, the current distribution model proposed by the Bureau would award Puerto Rico only \$7 million annually. The FCC is increasing the

total money available by 67 percent, yet also proposing to decrease the amount made available to Puerto Rico by 77 percent. This result makes no sense, given that the FCC has consistently found Puerto Rico to be the U.S. jurisdiction with the weakest level of fixed broadband deployment. Put simply, the proposed model does not adequately account for the unique operating conditions in Puerto Rico, including its low per capita income, the very low "take rate" for fixed broadband where the service is available (30 percent compared to 80 percent in the model), and the relatively high cost of goods and certain services in the territory due to its geographical location. As per the FCC's directive, the Bureau must maintain the level of universal service funding Puerto Rico currently receives.

Adequate broadband infrastructure is essential to educate children, attract and grow businesses, and build a robust economy. The CAF Phase II funding provides an important opportunity to substantially improve the state of broadband deployment in Puerto Rico. Oversight by the FCC is needed to ensure that the CAF support is distributed to those communities, like Puerto Rico, where it is needed most and will have the greatest impact.

Sincerely,

A handwritten signature in blue ink, appearing to read "P. Pierluisi", with a stylized flourish at the end.

Pedro R. Pierluisi
Member of Congress

cc: Hon. Mignon Clyburn, Commissioner
Hon. Michael O'Rielly, Commissioner
Hon. Ajit Pai, Commissioner
Hon. Jessica Rosenworcel, Commissioner



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

May 14, 2014

The Honorable Pedro Pierluisi
U.S. House of Representatives
1213 Longworth House Office Building
Washington, DC 20515

Dear Congressman Pierluisi:

Thank you for your letter expressing views about the development of the forward looking cost model to determine ongoing universal service support to areas served by price cap carriers, known as Connect America Fund (CAF) Phase II. I understand your concern about the impact of the Universal Service Fund (USF) reforms on carriers serving insular areas like the Puerto Rico. Your letter also will be included in the record of the proceeding.

We believe we have implemented a solution that addresses the concerns you raised while ensuring that USF supports the deployment of robust voice and broadband networks throughout the United States. Specifically, on April 22, 2014, the Commission's Wireline Competition Bureau released an *Order* that provided carriers serving non-contiguous areas, such as Puerto Rico, with the option of continuing to receive frozen high cost support rather than model-based support. And, as part of a *Further Notice of Proposed Rulemaking* we adopted last month, we are seeking comment on what public interest obligations should attach to the acceptance of those funds. We look forward to hearing from interested parties as we continue to move forward on the implementation of the Connect America Fund.

These decisions were the result of an open, transparent, and deliberative process to adopt a cost model. The Bureau solicited feedback on model design and inputs through Public Notices and a "virtual workshop," made available model documentation and illustrative results multiple times, and made several presentations regarding the model and CAF Phase II implementation. The Bureau also released multiple working versions of the proposed forward-looking cost model, with each successive version containing refinements and improvements over the prior version. A number of outside parties, including the Puerto Rico Telephone Company, have actively participated in this model development process. The information provided in the carrier's numerous filings was given full consideration as the cost model was developed.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,

Tom Wheeler